

IS RESEARCH ON SMEs IN MALAYSIA AN UTTER WASTE OF TIME? : A LITERATURE REVIEW

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ABSTRACT

This paper reviews some important literature on small and medium scale enterprises (SMEs) in Malaysia. It was observed that the focus of research on the SMEs was taken from four perspectives – management, finance, marketing and technology. Scholars have looked at issues of managing organizational resources such as human resources, internationalization, total quality management (TQM), technology management and information and communication technology (ICT). But less attention was given by them on issues relating to SME firm performance and firm effectiveness. These two issues are critical in a very special way as they affect the existence and continued survival of SME firms.

Keywords: SME; SME firm effectiveness; SME firm performance; Malaysia.

1. INTRODUCTION

Research on small businesses and entrepreneurship had been part of the business literature in Malaysia since the 1970s when the New Economic Policy (NEP) was unfolding (Gomez & Saravanamuttu, 2013). However, research on small and medium scale enterprises (SMEs) became obvious only since year 2000. Malaysian scholars in the field of SMEs slowly emerged (e.g. Hashim, 2000; Hashim & Abdullah, 2000; Hashim & Wafa, 2002; Wafa, Noordin & Kim-Man, 2005). They became the sources of reference on SMEs for Malaysian researchers who came later.

1.1 DEFINITION OF SME

There is no universally accepted definition of the term ‘small and medium enterprises (SMEs)’. The definition is normally dictated by some authority or the government of a country. In Malaysia, the Malaysian government had determined the categorization of SMEs. Before January 2014, the definition of SMEs is used based on a firm’s yearly turnover or the number of employees in a firm.

Table 1: The Comparative Definition of SME

Sector	Current SME Definition	New SME Definition
Manufacturing	<ul style="list-style-type: none"> Annual turnover less than RM25 million Less than 150 workers 	<ul style="list-style-type: none"> Annual turnover less than RM50 million Less than 200 workers
Services	<ul style="list-style-type: none"> Annual sales not exceeding RM5 million Not more than 50 workers 	<ul style="list-style-type: none"> Annual sales not exceeding RM20 million Not more than 75 workers

But since January 2014, the Malaysian government had changed the definition of SMEs to be used with the rationale that with the revised definition, more firms would gain access to the government support programs and assistance schemes (Table 1). Both definitions of SMEs cover the manufacturing and the services sectors. Previously for the manufacturing sector, the SMEs are defined as companies an annual turnover of less than RM25 million or companies with less than 150 workers. The new definition gives the SMEs as companies with an annual turnover of less than RM50 million or firms with less than 200 workers. For the services sector, previously the SMEs are firms with an annual turnover of less than RM5 million or firms with less than 50 workers. Now, the SMEs in the services sector are firms with an annual sales of less than RM20 million or firms having less than 75 workers.

1.2 THE NUMBER OF SMEs IN MALAYSIA

According to the Census Report on SMEs 2011, there was a total of 645,136 SMEs operating their businesses in Malaysia, representing 97.3% of total business establishments.. A more recent report quoting Wayne Lim, Group CEO of Malaysia SME, that the total number of SMEs in Malaysia is estimated to grow to one million in 2012 (SME Magazine, 2011). This means that the number of SMEs in Malaysia now accounts for up to 99.2% of the total business establishments which are legally registered with the governmental authorities (SME Magazine, 2011).

If we refer to the number of registered companies and businesses published by the Companies Commission of Malaysia (SSM), there were slightly more than one million companies and close to five million businesses (comprising the sole proprietorship & partnership) that were registered by the end of 2012. Our rule of thumb would indicate that most of the one million registered companies are small or medium enterprises while the majority of the five million businesses are micro enterprises.

Table 2: The Distribution of SMEs in Malaysia

State	Total SMEs	%
Johor	68,874	10.7
Kedah	37,092	5.7
Kelantan	37,823	5.9
Melaka	21,675	3.4
Negeri Sembilan	24,542	3.8
Pahang	29,462	4.6
Perak	60,028	9.3
Perlis	5,053	0.8
Pulau Pinang	40,824	6.3
Sabah	40,884	6.3
Sarawak	43,830	6.8
Selangor	125,904	19.5
Terengganu	22,514	3.5
W. P. Kuala Lumpur	84,261	13.1
W. P. Labuan	1,952	0.3
W. P. Putrajaya	418	0.1
Total SMEs	645,136	100.0

Source: Economic / SMEs Census, 2011 by Department of Statistics, Malaysia

Another interesting observation is that most of the SME establishments in Malaysia are based in Selangor (19.5%) and Kuala Lumpur (13.1%), followed by Johor (10.7%), Perak (9.3%) and Sarawak (6.8%) (Table 2).

I.3 SME AS A NATIONAL AGENDA

The SMEs have been acknowledged by the Malaysian government as having a big and important role in the development of Malaysia's economy (Hashim, 2000; Hashim & Abdullah, 2000; Hashim & Wafa, 2002; Wafa, Noordin & Kim-Man, 2005). Since the 1980s, the SMEs were given a lot of assistance by governmental agencies (Gomez & Saravanamuttu, 2013). But only since 2004 did SMEs been elevated as a national priority when the National Small and Medium Enterprises Development Council (NSDC) with the Prime Minister as its chairman was established (Lim, 2014). Earlier one notable governmental agency was Development Bank of Malaysia (DBM) (Bank Pembangunan Malaysia) which had helped the creation of new SMEs as well as sustenance of older SMEs through financing and business guidance (CBM, 2006). To indicate the government seriousness on SME development, DBM was restructured into SME Bank with took effect from October 3, 2005 just one year after the NSDC was set up. Subsequently the Bank was given more roles in the development of SMEs (CBM, 2006). Another important agency is the Small and Medium Industries Development Corporation (SMIDEC) which was established in 1996 (www.smecorp.gov.my). Its initial focus was on the manufacturing sector. To reflect the increasing importance of SMEs to the government, this agency was rebranded into SME Corporation with effect from January 2, 2009 and it then covers the non-manufacturing sector too. Together, both SME Bank and SME Corp went full speed ahead in carrying out their renewed roles expected of them.

Another important development as far as the SMEs in Malaysia are concerned was that the government through SME Corp had created an important document called 'The SME Masterplan 2012 – 2020' (www.smecorp.gov.my). This specific document will chart the development of the SME sector in Malaysia for the said period and this again reflects that SME development has become part of the national agenda for Malaysia. Other aspects including research on SMEs should be aligned to this grand plan.

I.4 DEVELOPMENT OF SME RESEARCH IN MALAYSIA OVER TIME

For this paper, a total of 33 relevant papers and articles on SMEs in Malaysia from conference proceedings and journals were sampled. It was found that the studies for the conference proceedings and journals can be categorized into four – management, marketing, finance and technology. The authors are concerned with survival issues of the SMEs in Malaysia. From Table 3, it can be seen there were only nine papers (spanning a period from 2000 to 2013) which had focused on strategic issues especially on firm performance and firm effectiveness (see Hashim, 2000; Hashim & Abdullah, 2000; Sohail, 2000; Abdul Rahman & Tannock, 2005; Wafa, Noordin & Kim-Man, 2005; Ong, Ismail & Yeap, 2010; Chelliah, Sulaiman & Mohd Yusoff, 2010; Hee & Mui, 2012; Afsharhasemi, Zain, Sambasivam & Ng, 2013) (Table 3). These two areas of study (i.e. firm performance and firm effectiveness) were quite common for studies on large firms because their survival importance (March & Sutton, 1997). But these two research areas were less focused in Malaysian SMEs.

Table 3: The Categorization of SME Research in Malaysia 2000 – 2013

No.	Author (s)	Topic	Journal/Proceeding	Year	Category
1	Hashim, M.K.	A proposed strategic framework for SME success	Malaysian Management Review, 35(2), 32-43	2000	Management - strategic
2	Hashim, M.K. & Abdullah, M.S.	A proposed framework for redefining SMEs in Malaysia	Asian Academy of Management Journal, 65-79	2000	Management - strategic
3	Sohail, M.S.	TQM practices and organizational performance of SMEs in Malaysia	Benchmarking: An International Journal, 20(1)	2003	Management – organizational performance
4	Abdul Rahman, M.N. & Tannock, J.D.T.	TQM Best Practices: Experiences of Malaysian SMEs	Total Quality Management & Business Excellence, 16(4), 491-503	2005	Management – organizational performance
5	Wafa, S.A., Noordin, R. & Kim-Man, M.	Strategy and performance of SMEs in Malaysia	Proceedings of the International Conference in Economics & Finance, Labuan, UMS	2005	Management – organizational performance
6	Ong, J.W., Ismail, H. & Yeap, P.F.	Malaysian SMEs: The Fundamental Problems and Recommendations for Improvement	Journal of Asian Entrepreneurship & Sustainability, 6(1), 55-65	2010	Management - strategic
7	Chelliah, S., Sulaiman, M. & Mohd Yusoff, Y.	Internationalization and Performance: SMEs in Malaysia	International Journal of Business & Management, 5(6), 27-37	2010	Management – organizational performance
8	Hee, S.N. & Mui, H.K.D.	Development of Intangible Factors for SME Success in a Developing Country	HR MARS, 2, 198-213	2012	Management - strategic
9	Afsharghasemi, A., Zain, M., Sambasivam, M. & Ng, S.I.S.	Market Orientation, Government Regulation, Competitive Advantage and Internationalization of SMEs: A Study in Malaysia	Journal of Business Administration Research, 2(2), 13-22	2013	Management - strategic

2. METHODOLOGY

This paper uses the literature survey to extract important data and information on studies which had been done on SMEs in Malaysia. Literature survey is one effective way of gathering data on research which had already been conducted on a particular topic or issue (Creswell, 2009; Sekaran & Bougie, 2013). The period covered was from year 2000 to the present.

3. RESULTS

The analysis of 33 papers on Malaysian SMEs found that only nine papers (27.3 percent) had devoted their studies on strategic issues (such as strategic management of SME firms and the SME firm performance)(part of the reference list). The focus on SME firm effectiveness was totally ignored. Issues of firm performance (March & Sutton, 1997; Richard, Devinney, Yip & Johnson, 2009) and firm effectiveness (Angle & Perry, 1981; Cameron,

1986) were widely studied on large firms for decades because of their importance. Yet these issues were ignored by researchers in Malaysia where the SME firms are concerned.

4. CONCLUSION AND FUTURE RESEARCH

From the literature review made by the authors, it was found that the interest of scholars in pursuing the study of SMEs in Malaysia has been growing rapidly in the first decade of the 21st century. This trend augurs well for the development of SMEs in Malaysia. But the contention of the authors was that probably the previous researchers on SMEs have been focusing on the less important aspects of SME development in Malaysia. They should be focusing more on issues which are related to the continued survival of SMEs. The authors believed that the SME firm performance and the SME firm effectiveness are relatively neglected areas of study as far as SMEs in Malaysia are concerned. With this proposed realignment in the study of Malaysian SMEs, then the study of SMEs in Malaysia would not be regarded as an utter waste of time for scholars as well as the practitioners. These studies must not just be academic but they must be seen as actually contributing to the development of SMEs in Malaysia.

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